

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administration		(2) MEETING DATE July 18, 2006		(3) CONTACT/PHONE Deb Hossli, Risk Management (805) 781-5014	
(4) SUBJECT Request to approve a three-year extension to a contract with Carl Warren & Co. (Clerk's File) for Liability Program administration services.					
(5) SUMMARY OF REQUEST Carl Warren & Co. (CW&C) has provided Liability Program third party administration services to the County for the last two years. Under the contract, CW&C is responsible for the day-to-day liability claims management activities and ensuring all claims reporting and legal requirements are met. This includes such activities as: investigating claims, adjusting and settling claims, maintaining claim documentation, monitoring defense plans and costs for litigated claims, reporting claims to the County's excess insurer (i.e., CSAC-Excess Insurance Authority), and maintaining an automated claims reporting system. Staff is recommending that this contract be extended for three additional years.					
(6) RECOMMENDED ACTION It is recommended that the Board approve a three-year extension to a contract with Carl Warren & Co. for Liability Program administration services and waive the County's purchasing policy for contract services.					
(7) FUNDING SOURCE(S) Liability Fund		(8) CURRENT YEAR COST \$55,000		(9) ANNUAL COST \$55,000	
(10) BUDGETED? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> N/A					
(11) OTHER AGENCY/ADVISORY GROUP INVOLVEMENT (LIST): County Counsel has approved the amendment.					
(12) WILL REQUEST REQUIRE ADDITIONAL STAFF? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, How Many? _____ <input type="checkbox"/> Permanent _____ <input type="checkbox"/> Limited Term _____ <input type="checkbox"/> Contract _____ <input type="checkbox"/> Temporary Help _____					
(13) SUPERVISOR DISTRICT(S) <input type="checkbox"/> 1 st , <input type="checkbox"/> 2 nd , <input type="checkbox"/> 3 rd , <input type="checkbox"/> 4 th , <input type="checkbox"/> 5 th , <input checked="" type="checkbox"/> All			(14) LOCATION MAP <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A		(15) Maddy Act Appointments Signed-off by Clerk of the Board
(16) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Presentation <input type="checkbox"/> Board Business (Time Est. _____)			(17) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions (Orig + 4 copies) <input checked="" type="checkbox"/> Contracts (Orig + 4 copies) <input type="checkbox"/> Ordinances (Orig + 4 copies) <input type="checkbox"/> N/A		
(18) NEED EXTRA EXECUTED COPIES? <input type="checkbox"/> Number: _____ <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A			(19) APPROPRIATION TRANSFER REQUIRED? <input type="checkbox"/> Submitted <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A		
(20) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) _____			(21) W-9 <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		(22) Agenda Item History <input type="checkbox"/> N/A Date 7-20-04
(23) ADMINISTRATIVE OFFICE REVIEW <div style="text-align: center; font-size: 1.5em; font-family: cursive;">OK Jim Grant</div> <div style="text-align: right; font-size: 1.5em; font-family: cursive;">7-18-06</div> <div style="text-align: right; font-size: 2em; font-family: cursive;">B-3</div>					

County of San Luis Obispo

COUNTY GOVERNMENT CENTER, RM. 370 • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5011



TO: Board of Supervisors

FROM: Deb Hossli, Risk Management

DATE: July 18, 2006

SUBJECT: Request to approve a three-year extension to a contract with Carl Warren & Co. (Clerk's File) for Liability Program third party administration services.

DAVID EDGE
COUNTY ADMINISTRATOR

RECOMMENDATION:

It is recommended that the Board approve a three-year extension to a contract with Carl Warren & Co. for Liability Program administration services and waive the County's purchasing policy for contract services.

Discussion:

Since the late 1970's, the County has contracted with outside firms for administration of the Liability Program. These firms, referred to as third party administrators (TPA), carry out the day-to-day claims management activities and ensure all claims reporting and legal requirements are met. This includes such activities as: investigating claims, adjusting and settling claims, maintaining claim documentation, monitoring defense plans and costs for litigated claims, reporting claims to the County's excess insurer (i.e., CSAC-Excess Insurance Authority), and maintaining an automated claims reporting system.

In August of 2004, the County entered into a two-year contract with Carl Warren & Co. (CW&C) for liability program TPA services. The short-term contract allowed the County to sever its business relationship with the prior TPA as quickly as possible due to serious performance issues. After working closely with CW&C over the past two years, staff has concluded the County would be better served by extending the existing contract with CW&C for an additional three years as opposed to conducting a formal RFP process to survey the market place. Staff makes this recommendation for the following reasons:

- **CW&C provides high quality service.** For the last two years, CW&C has consistently provided the County with timely and effective liability claims management services. Further, staff has invested a significant amount of time educating CW&C staff on the County's claims and processes. This

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investment makes changing TPAs after only two years impractical and costly.

- **CW&C's compensation is reasonable.** For the past two years, the County has paid roughly \$50,000 less for TPA services than we would have paid if we had remained with the prior provider.
- **CW&C's automated claims reporting system is easy to use and provides valuable reports.** CW&C's system allows staff to easily and quickly check claim status and prepare claims reports for departments and the CAO. It took a year, and a significant investment in staff time, to transfer the claims data from the prior TPA to CW&C, work out the glitches and clean up the data so accurate claims reports could be produced. If the County were to change TPAs after only two years, this investment would be lost and it would likely result in another year of down time (i.e., no reporting capabilities) while the data transfer process took place.

Given these issues, staff believes the value of extending the current contract outweighs the value of pursuing an RFP at this time. Therefore, staff recommends that the Board execute the contract amendment presented and waive the County's purchasing policy for contract services. The amendment extends the contract to June 30, 2009 and provides an annual adjustment to compensation (see Financial Considerations for details). Please note an RFP will be conducted by staff before a new contract for Liability TPA services is presented to the Board in the summer of 2009.

Other Agency Involvement/Impact:

County Counsel has approved the contract amendment.

Financial Considerations:

The contract compensates CW&C on an hourly basis for services provided. For 2006-07, the rate will be \$66.00 per hour; a 4.7% increase over the 2005-06 contract amount and equivalent to the Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange County area. Compensation for the remaining two years of the contract will be adjusted annually in July by this same CPI.

Staff estimates the County will pay CW&C roughly \$55,000 for 2006-07. Adequate funding is available in the Liability Fund for this expense.

Results:

High quality, Liability Program TPA services at a reasonable cost. Over the past two years, the County has paid roughly \$50,000 less for TPA services than we would have paid under the prior contract in place.

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Amendment Number 2

Contract between County of San Luis Obispo and Carl Warren & Co. for Liability Program Third Party Administration Services

The County of San Luis Obispo and Carl Warren & Co. agree to the following amendments to the Liability Program third party administration services contract approved by the Board of Supervisors on July 20, 2004:

- **4. Term of Contract.** The term of this contract is extended to June 30, 2009.
- **Exhibit B, Section I. a) Compensation:** Services for the July 1, 2006 through June 30, 2007 term of this contract will be billed on a time and expense basis, at a consolidated rate of \$66.00 per hour, 42 cents per mile, and \$2.62 per 35 mm color photograph. A one-time set up fee of \$66.00 per claim will be charged for each claim file opened. Compensation for the remaining two years of the contract will be adjusted annually in July by the percentage increase in the Consumer Price Index for the Los Angeles-Riverside-Orange County area.

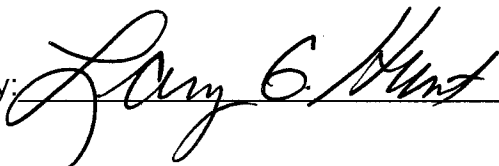
All other terms and conditions in the July 20, 2004 agreement will remain the same.

IN WITNESS THEREOF, County and Contractor have executed this Contract Amendment #2 on the day and year first hereinabove set forth.

County of San Luis Obispo

By: _____
Chairman of the Board of Supervisors

Contractor

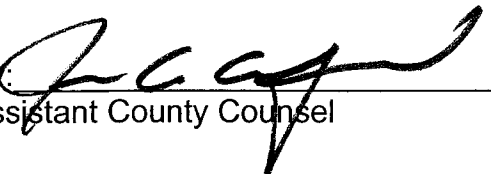
By: 

Title: Executive Vice President
Carl Warren & Company

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Approved as to form and legal effect:

James B. Lindholm, Jr.
County Counsel

By: 
Assistant County Counsel

Date: 6/06/06

Attest:

County Clerk and Ex-Officio Clerk of the Board of Supervisors,
County of San Luis Obispo, State of California

By: _____
Deputy Clerk

Date: _____

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